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Automotive News

February 27, 1989

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SAE show to rev up Motor City

40,000 on hand to trade ideas

By Arthur Flax
AUTOMOTIVE NEWS STAFF REPORTER

Planes, trains and automobiles, the title of a comic movie, might also describe the 1989 SAE International Congress and Exposition, meeting this week at Detroit's Cobo Hall.

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The official theme is "Engineering the Excitement." The exposition runs through Thursday while the congress ends Friday.

The meeting will focus on an exchange of information between "mobility" engineers from a variety of disciplines, including aerospace, electronics, computers, automobiles and heavy trucks, according to Howard F. Voigt, SAE Detroit section chairman and chief engineer, overseas product engineering, for Ford's international automotive operations.

Although SAE is focused on the automobile, the engineering society includes representatives from every transportation medium.

Aerospace and automotive technologies in particular are becoming more closely linked — an example is the marriage between General Motors and Hughes. And that new relationship between industries

see SAE, page 59

Mercedes-Benz is set to introduce its replacement, above, for the 18-year-old SL series at Geneva. Also bowing will be Alfa Romeo's limited-edition SZ coupe based on the 75/Milano series and built by coachbuilder Zagato.

2 big intros set for Geneva

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

GENEVA — Successors to a pair of Europe's longest-running hits debut at next week's Geneva Auto Show, but there also will be plenty of other attractions vying for the spotlight.

Replacements for Mercedes' 18-year-old SL range and the 13-year-old Ford Fiesta will be displayed at Geneva, closing out eras in each case.

The world also gets a first look at Alfa Romeo's aggressively styled, limited-edition coupe from Italian coachbuilder Zagato Car as well as Zagato's limited-series joint-venture sports car with Japan's Autech.

And the European supercar stakes could go up further next week as Jaguar is expected to announce whether it will put its XJ-220 show car into production.

Volkswagen will present a Golf rally car that should signal the future direction of the hot hatchback wars, and Daihatsu, which two years ago launched the new Charade at Geneva, will preview the next-generation Charmant.

But Geneva's real importance is as an industry gathering place. While not the largest motor show in Europe, it is the only international show held annually and is probably the best attended among auto leaders.

Mercedes-Benz begins its long-awaited response to BMW's recent product offensive with the SL range. The 2+2 convertible se-

see GENEVA, page 62

No third plant for minivans, Chrysler says

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — In a decision indicating caution in the face of growing competition, Chrysler Motors President Robert A. Lutz said the company has ruled out adding a third minivan plant.

Just last month, Chrysler Corp. Vice Chairman Gerald Greenwald described the possibility of a third plant as "an open question."

Lutz

Lutz said the company decided against another minivan plant in order to balance its product plans and shore up weak spots — and because Chrysler's minivan market share could someday be threatened by a successful competitor. In 1988, the company held 51.6 percent of the compact van market.

Chrysler's top management has said repeatedly that minivan demand will exceed industrywide availability for several years.

Chrysler's decision to rein in its optimism as it heads into the next decade comes as new minivan entries from General Motors and a handful of Japanese players are scheduled for introduction beginning next fall.

With that key minivan decision behind it, Chrysler now must tackle how it will anchor the bottom end of its lineup in the next decade after the Dodge Omni and Plymouth Horizon are dropped.

"The decision on what we do in the lower end of the market is one of the most pressing management decisions and one of the greatest dilemmas we currently face," said Lutz, speaking to the Detroit Auto Writers Group last week.

In a reversal of the stance held by Chrysler and other

see CHRYSLER, page 61

D-DAY NEAR

Japanese view '89 as year to decide on Europe plants

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — Japanese automakers believe they are facing a deadline for setting up assembly plants in Europe, and most view 1989 as the year of decision.

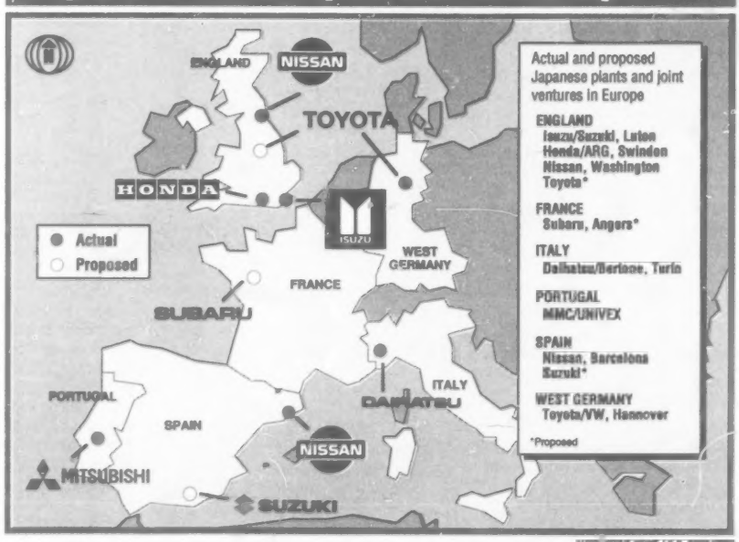
And though the Japanese were recently said to be rethinking plans to come to Europe because of uncertainties about the post-1992 unified market, they nonetheless appear to be forging ahead.

There remain some deep concerns and a sense that except perhaps for the United Kingdom, Japan's carmakers are unwelcome in Europe. But they also recognize that to be established in protectionist-minded Europe on Jan. 1, 1993 — when the borderless internal market is scheduled to be in place — they need to move quickly.

Toyota has given the first indication of its European plans and there are rumblings elsewhere. While Ford and Mazda deny ever-increasing speculation that they plan to build cars together in Europe,

see JAPANESE, page 60

Japanese transplants in Europe



Yugo maker plans to run U.S. firm

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEWARK, N.J. — Yugo dealers were told last week that the manufacturer intends to stand by Yugo America as the U.S. distributor, but will probably control the company once Chapter 11 bankruptcy proceedings are concluded.

Miroslav Spagnut, deputy general manager of exports for Yugo maker Zavodi Crvena Zastava, said, "Zastava is not intent on terminating Yugo America. Our basic intent is reorganizing it.

"It is quite clear when the company comes out from Chapter 11 that certain changes will take place. Yugo America must look entirely different than it does now," Spagnut said.

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Bricklin beset by cash woes

Tax, debt claims pile up in Colo.

By Charles M. Thomas
AUTOMOTIVE NEWS STAFF REPORTER

Malcolm Bricklin is wooing Wall Street in an effort to raise $2 billion through the sale of high-yield bonds so Bricklin Motors can buy 1,000 dealerships this year.

But in tiny Meeker, Colo., where Bricklin keeps residence, court records show that his business and personal finances are in disarray.

Bricklin may owe the Internal Revenue Service as much as $131,000 in overdue income taxes for 1986, a local bank wants to seize his helicopter for defaulting on payments, one of his ranches is in foreclosure and a plan to breed mules has apparently run aground.

Bricklin, Bricklin Properties and Bricklin Industries are the targets of a slew of lawsuits from businessmen demanding everything from payment for stacking hay to payment for architectural services, according to records at the Rio Blanco County District Court in Meeker.

Bricklin

Says Bricklin: "This is a small community and there are a number of people who like to play games, and they want to play games with me."

Last April, Bricklin Industries sold its share of Global Motors — importer of the Yugo and would-be importer of the Proton Saga — to a Wall Street investment firm for an estimated $20 million.

Ron Warnicke, Bricklin's attorney, attributed Bricklin's financial troubles to Global Motors' January filing for bankruptcy protection.

"When Global filed for bankruptcy, the deferred payments to Bricklin Industries stopped," Warnicke said. "When cash flow ceases, it is difficult to refinance properties and it takes time to resolve issues."

HIDDEN IMAGE/HANS G. LEHMANN

Slipperier S series

The next-generation Mercedes-Benz S-class cars are larger than current models and adopt the aerodynamic styling of the E series. Overall length, width and wheelbase are stretched a bit, and the cars will pack engines ranging from six to 12 cylinders, pumping out about 240 to 400 horsepower. The series is expected to debut at the 1990 Paris auto show.

On Feb. 21, the Colorado Department of Revenue entered a claim against Bricklin in District Court seeking $58,875.77 in unpaid individual income taxes for 1987.

Last June, the IRS filed a lien against Bricklin's property and assets seeking $131,356.47 in unpaid income taxes for 1986.

Bricklin said last week that he paid his 1986 tax bill, but there is no release of lien in court records.

An IRS spokeswoman said a lien would not be released until the whole bill is paid. She would not disclose if Bricklin had made any payments toward the bill.

On Feb. 10, United Bank of Broomfield asked the sheriff of Rio Blanco to seize Bricklin's helicopter, valued at $100,000, for defaulting on his payments.

Although Bricklin said the helicopter has been sold, a court official said the lawsuit is still active.

Last April, Bricklin told Automotive News he would concentrate on the real estate business.

St. Louis businessman Thomas Moore Sr., former owner of the Bricklin Ranch (known as the Bar-Bell Ranch), told Automotive News he has yet to receive the 1988 payment for the property due Dec. 31. Bricklin bought the ranch in 1986.

"We have put it in the hands of the banks and the lawyers," Moore said. "If he doesn't come up with the money, we will take the necessary steps."

Foreclosure proceedings against Bricklin's other ranch, known locally as the Franklin Ranch, are under way. Bricklin Industries purchased the property for $1.3 million in 1987 but has defaulted on payments, according to the lawsuit filed on behalf of Benjamin P. Franklin Jr., representing the estate of his father.

Bricklin and Bricklin Properties also are named in a lawsuit by John Avery, who says Bricklin hired him to manage the Bricklin Ranch and establish facilities to breed mules. Avery alleges that Bricklin failed to pay him the agreed-upon finder's fee for assisting in the acquisition of six properties near the ranch.

He also alleges that Bricklin owes him $150,000 in back wages dating back to August 1987.

The lawsuit also says Bricklin has failed to keep his promise to spend $1 million for facilities to raise and breed mules.

And laborer Mike Sullivan sued Bricklin Properties Jan. 23, asking for payment of $10,000 for stacking hay last summer.

There is also a lawsuit and accompanying lien against the Bricklin Ranch for $140,000 from Ohio-based Schmidt Copeland & Associates, an architectural firm employed by Bricklin to build a summer youth camp on the ranch.

Several weeks ago, Bricklin announced his next venture — the first national dealership chain, comprising 1,000 points. Two New York investment banking houses are lined up as financial advisers.

Bricklin entered the automotive business by importing Subarus in 1968. He later launched his own company to build a gull-wing sports car, but it went bankrupt.

In 1983, he formed International Automobile Importers to import the Bertone X 1/9 and Pininfarina Spider after Fiat left the U.S. market. In 1984, Bricklin formed a company to import the Yugo.

'Rough Riders' hit by first defections

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

Ron Tonkin's "Rough Riders" got off to a rough start last week as a prominent member of his ad hoc industry relations subcommittee declined to participate.

And several dealers contacted about their inclusion on a list of more than 200 either don't want to participate or are warily eyeing Tonkin's agenda before saddling up.

Roger S. Penske, chairman of Penske Corp., sent a mailgram to the National Automobile Dealers Association president last week, saying, "I am not a rough rider and I do not want to be involved in any action against OEMs. Also I did not agree to give anyone the right to use my name."

Two weeks ago, Tonkin announced the names of his first 205 Rough Riders, a group of large-volume dealers who, he said, will work outside NADA to challenge factories on their subsidized sales to leasing companies and on issues of dealership control. Tonkin said the group had rallied as volunteers around his criticism of fleet subsidies and factory control of customer satisfaction indexing and "dealer improvement programs."

Penske

But before the group's first meeting had been scheduled, Penske notified Tonkin that he had not asked to serve either on the 15-member steering committee nor as one of the 200 to 300 rough riders named by Tonkin.

Tonkin maintains that he had spoken to Penske about the idea last July in Detroit at the Automotive News World Congress.

"He gave me his card and said he'd be happy to help," Tonkin said of Penske. "I tried several times to reach him to make sure he was still interested before going public with the list but I was unsuccessful."

Several of the dealers have expressed surprise at seeing their names listed among the Rough Riders.

Gordon L. Stewart, a Chevrolet dealer in Garden City, Mich., believes his relationship with the factory may have been damaged by the list.

"I was totally stunned when I saw my name on the list as a Rough Rider," Stewart said. "I've gotten phone calls from people at the factory asking me what it means. I don't know what it means."

Stewart said he fired off a letter to Tonkin asking him why he included Stewart's name. "I'm not interested in this fisticuffs approach to solving problems," Stewart commented. "I'd like to see an end to fleet subsidies, certainly. But this isn't the way to accomplish that."

In response to uncertainty on the part of some Rough Riders, Tonkin said, "I need to clarify my position on these issues. It's up to me to convince dealers that it's time to get involved."

A number of other steering committee appointees also said they were taken by surprise at seeing their name on the list. However, most said they agreed with some elements of Tonkin's activist platform.

"I honestly can't remember volunteering for anything, and I sure as hell don't want to be on a list I didn't sign up for," said Iowa dealer Max Holmes, president of Holmes Oldsmobile-GMC-Honda, Des Moines. "As far as being a tough guy with the factory, that's not me. My father was always tough with the factory and I never saw that getting him very far.

"Now, on the other hand, when the factory starts talking about taking away my 5 percent model changeover allowance, as GM is planning to do, I'm ready for a fight," Holmes said.

He added that he wanted to hear more about Tonkin's plan for the group before making any decisions.

Pete Ellis, a Southgate, Calif., Dodge dealer, said he also was surprised to see his name among the Rough Rider volunteers, especially on the steering committee, although he agrees with Tonkin's initial rallying cry.

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Hungerland's mission: revive faltering VWoA

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

TROY, Mich. — A new president of Volkswagen of America takes the helm Wednesday, facing as daunting a list of challenges as any executive in VW's 40-year history in the United States.

Hans-Jorg Hungerland, 47, will be the new point man as the organization tries to end three years of sales bloodshed on both the Audi and Volkswagen sides of the business.

Each division is struggling to establish a stronger image. But the Volkswagen car line will likely be at the top of Hungerland's urgent list. Dealers, who are increasingly talking of their financial plight, are looking for an immediate sales aid as well as a long-term strategy for recovery.

Audi, too, has had to scrap for every sale. But VWoA's luxury division has a comeback plan in place, and dealers generally seem to be in support.

Although he officially begins this week, Hungerland has spent much of this month in the United States. The former export sales manager for Volkswagen AG in West Germany criss-crossed the country, meeting regional staffs and groups of dealers. With him was William Young, his hand-picked successor to James Fuller, the late vice president in charge of Volkswagen United States.

Their tour appears to have reassured VW dealers, who were left in a state of shock when Fuller and marketing director Lou Marengo were killed aboard Pan Am flight 103 in December.

One dealer called his session a somber yet constructive exchange, free of finger-pointing. Another veteran dealer, who confessed that the business has lost much of the fun it once had, said the meeting alone inspired him to order two dozen cars.

Hungerland and Young "realize that we're in a mess, which is an understatement," said one company official. "They know that some significant changes have to be made."

Neither executive was available for interviews last week.

Hungerland's arrival also represents the end of one era and the return to another. The VWoA organization has been carved to employee levels of the mid-1970s, before it began its decade-long era as a manufacturer of cars in the United States. The plant closed last year, and the company's employee count is now at 2,500, compared with a peak of more than 10,000 in 1980.

Hungerland's predecessor, Noel Phillips, is moving to another manufacturing operation, Autolatina, VW's joint venture with Ford Motor Co. in Brazil.

In the first four full years of Phillips' tenure, beginning in 1983, VWoA earned combined profits of $279 million. In 1987, the company lost $317 million, with more than half the loss tied to the plant closing. Results for 1988 haven't been announced.

Hungerland and Young approached their visits as a fact-finding mission. They spent most of their meetings listening, according to dealers who attended. But the pair did give some hints of what kind of action they may be taking. Hungerland promised that he is committed to restoring the company's position in the market.

In the short run, dealers are looking for Young to provide imaginative sales programs. A discount financing and dealer incentive pro-

see VWoA, page 59

Dealers sought for nationwide phone referral net

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — Imagine if every car buyer in America could phone the same, easily memorized, toll-free number to reach a nearby dealer, no matter what kind of car they wanted to buy.

That's one of the premises behind the Auto Yes network, a dealer advertising co-op that is being test-marketed by more than 275 dealers in the New York area and could be in 20 major markets by year's end.

A print ad campaign for the pilot program began Feb. 17, and television ads are expected to begin Wednesday, inviting car shoppers to call 1-800-AUTO YES.

Auto Yes founder Martin Ain, a former leasing franchiser who owns two Long Island dealerships, said last week that more than 3,000 people responded to the print ads in the first week.

Ain said Auto Yes ads direct buyers to a particular dealer, as opposed to factory co-op advertising, which he said tends to promote a brand rather than a dealer.

When you call the 800 number, a chipper recorded message says, "Congratulations! You have reached the Auto Yes Consumer Network. We plan on saving smart shoppers like you millions of dollars every year in time and money."

The message promises that if you call a dealer affiliated with the network, you'll get "the VIP treatment you deserve" and a special "Auto Yes deal," though no specific price savings are mentioned.

Next, the caller is asked to dial the first three letters of the car brand he or she is interested in — for instance, "TOY" for Toyota.

Callers must have a Touch-tone phone to use the system. Shoppers with a rotary phone are directed to call a different number for more information.

Once the desired make is dialed, the computer-synthesized voice asks for the area code where the caller will be buying the car, followed by different numbers further defining the caller's location — usually divided by county or zip code.

Once those numbers are punched in, a recorded message identifies the local Auto Yes dealer for a particular brand and provides the name and phone number of a specific salesman assigned to Auto Yes sales.

The recording reminds the caller to ask for only that individual to get the special Auto Yes deal.

Ain said participating dealers have agreed to reduce prices for the phone service's customers, but the discounts may vary, and state laws make it difficult to advertise bargain prices — especially in New York, which recently adopted stricter ad rules.

Dealers pay $2,500 to sign up for the service and then pay a monthly service charge and a fee for each car sold through the program. Ain declined to detail those charges, saying simply that the service is comparable to the cost of a quarter-page newspaper ad.

Subscribers to the service must commit to a one-year contract.

Dealers who joined in the early stages of the program were given concessions, like a three-month trial membership in some cases, Ain said.

Last week, participating dealers said it is too early to tell whether the new program will sell many cars, but they said the idea is a novel and attractive one.

"I look at it as additional advertising. Hopefully, the business it generates will pay for the service," said Tom Giuliano, a BMW dealer in Westchester County, N.Y.

"Thus far, the response has been minimal," he said.

"I think it's a great concept," said Alan Castroll, president of Maplewood Peugeot in New Jersey.

Ain said he hopes dealers in the Auto Yes network ultimately will have signs, a separate Auto Yes customer lounge, and a philosophy that stresses customer service.

"They (dealers) know this is going to take time to build," he said.

The computers used to field calls can answer many calls at once, 24 hours a day, which would be too expensive if human operators had to be hired, Ain said.The network has only eight employees.

Maserati adds Canada distributor

By Alex Law
STAFF CORRESPONDENT

TORONTO — Maserati Automobiles has given Canadian distribution rights to auto dealer Bill Brack, president of Brookland Maserati here, and Brack announced the formation of Maserati Canada.

Maserati Automobiles, based in Baltimore, is a wholly owned subsidiary of DeTomaso Industries. DeTomaso owns 51 percent of Officini Alfieri Maserati S.p.A. which builds Maseratis in Modena, Italy.

Brack said his first move will be to appoint more dealers since there are only four Maserati dealers in Canada — Brack's own outlet in Toronto, two within an hour of Toronto and one in Montreal.

The first new dealer appointed by Brack is Modena Motorsports in Vancouver, British Columbia. He also plans a point in either Edmonton or Calgary, Alberta, and one in Ottawa.

Brack said Winnipeg, Manitoba, is being considered for next year, but he added it is unlikely that he will appoint a dealer east of Montreal.

"The market will keep it to seven dealers," said Brack.

His partners in the new firm are Gregory Buy and Douglas Crosty.

Maserati currently has three models in its lineup — the 430 four-door sedan, the 228 coupe and the Spyder convertible.

Brack said he expects a new four-cam, multivalve, 300-horsepower Biturbo to help boost sales by the end of the year. He is also looking for a new four-door sedan next year and perhaps a sports car with a 3.5-liter V-6 or V-8 after that.

With that product line, Brack said, Canada should be able to handle about 200 cars a year.

Brack said he wants the Maserati stores to be exclusives if possible.

"If someone has to rely on one car line for a living, they do a better job," he said.

"We've done a better job with Maserati in Canada than they've done in the U.S., and we'll keep doing a better job."

Brack said Maserati Canada will be operated out of his dealership in downtown Toronto.

Vixen may have siblings if sale of company goes through

Offer made for Vixen

Former Masco exec would widen range

By Joseph Bohn
AUTOMOTIVE NEWS STAFF REPORTER

A former Masco Industries official has made an offer to acquire Vixen Motor Co. in Pontiac, Mich., and plans to produce several kinds of specialty vehicles.

Michael J. Vogel, who formed his own investment company called MJV Industries in Troy, Mich., described his offer for Vixen as "more than a letter of intent. It has the terms, conditions, timing and basics of an agreement."

He said he anticipated quick approval of his offer.

"It won't be long before we have an agreement," predicted Vogel, who is anxious to resume production of the Vixen motor home in time for the spring selling season.

Vixen President Allen Dryer said, "The basic framework of the plan has been accepted. I'm confident it will be accepted."

The plan must be approved by Vixen's board of directors and by the State of Michigan Pension Fund, the Detroit Police and Fire Pension Fund and the Michigan Retirement System, which together have invested $35 million in the company and own 70 percent of it.

Pension fund officials were vague but optimistic about the outcome of the negotiations.

"We never negotiate deals in public, but we are hopeful things will work out. Vogel is a very talented man," said Robert Kolt, Michigan Treasury spokesman.

Vixen was formed in 1981 by William Collins Jr. and Robert Dewey, two former GM officials.

The original Vixen 21 went on sale in February 1986.

Conceived in anticipation of high fuel prices, Vixen never achieved its profitability or sales goals. It featured a turbodiesel engine and manual transmission at a time when diesels went out of vogue and comfort took to priority.

The company came out with a new gasoline engine/automatic transmission model in 1988 but ran out of orders and operating capital in winter. It was forced to shut down Jan. 23 and look for a buyer.

Vogel declined specifics on his proposal, though he expects to pay off Vixen's supplier debt and not borrow any additional money from pension fund investors.

Vogel is a former group president of Masco Industries in Taylor, Mich., which operates companies that supply the auto and oil tool industries with products like valves, fasteners, heavy metal stampings, machine assemblies and forgings.

His plan to make Vixen profitable includes using the basic vehicle platform and shell to produce six or seven other specialty vehicles, including a mobile office. He said the combination of vehicles will generate enough volume to be profitable.

"A lot of people have expressed interest in an executive sales-type vehicle, a traveling vehicle with the amenities on board — a john, computers, faxes, phones and copiers — everything required to conduct a business," Vogel said.

Some executives from other motor home companies looked at the Vixen operation and concluded that it had a high-overhead plant. Vogel disputed that notion.

Vogel plans to be chief executive officer and retain Dryer as chief operating officer.

Hyundai Canada chief gets new job in Korea

By Alex Law
STAFF CORRESPONDENT

MARKHAM, Ontario — The first high-ranking Hyundai executive to live and work in North America is returning to South Korea.

Byung Jae Park, president and chief executive officer of Hyundai Auto Canada, has been promoted to executive director of overseas operations for Hyundai Motor Co. in Seoul.

He assumes his new responsibilities March 1 and will be succeeded by Yoo-il Lee.

In his new job, Park will direct an expanded overseas operations division, which now accounts for about half of Hyundai's sales. Along with vehicle export planning and operations, he will be responsible for overseas service planning, parts and operations.

He also will be in charge of the Canadian operations, which include the Sonata assembly plant in Bromont, Quebec, and the wheel plant in Newmarket, Ontario. The assembly plant opened in January and the wheel plant was officially launched two weeks ago.

Hyundai said the promotion of Park after two years' North American experience will help the parent company find markets for Canadian-produced Sonatas that won't be sold by Hyundai in North America or by Chrysler Motors' Jeep-Eagle network in the United States. When it reaches capacity, Bromont will be capable of producing 100,000 cars a year.

Park's successor, Lee, served seven years as managing director of export operations before his move to Canada. He was responsible for planning and implementing Hyundai's introductions in Canada and the United States. Though Hyundai's sales growth has tapered off recently, the two launches were the most successful of any import cars in North American auto history.

Mid-month car sales down 11%

By Philly Murtha
AUTOMOTIVE NEWS STAFF REPORTER

Retail deliveries of U.S.-built cars declined 11.72 percent in the middle 10 days of February.

The average daily selling rate, however, was only a fraction of a point below last year's. There was one less selling day this year.

A total of 185,672 domestic cars were sold in the Feb. 11-20 period, compared with 210,316 last year.

All Japanese transplant automakers sold more cars in this year's mid-February period.

New to the domestic list this year is Mitsubishi, which sells Eclipse models built at the Diamond-Star joint venture with Chrysler in Normal, Ill. In mid-February, 433 Eclipses were sold.

All three U.S.-based automakers sold fewer cars in this year's mid-February period.

Chrysler Motors reported the biggest 10-day loss. It sold 27.52 percent fewer cars.

General Motors sold 12.14 percent fewer cars in mid-February, although Cadillac and Oldsmobile dealers reported gains.

Ford Motor Co.'s car sales fell off 9.72 percent in the period.

Among the four U.S. light-truck makers, only Nissan reported an increase. U.S. light-truck sales dropped 7.14 percent to 108,992, down from 117,377 a year ago.

Combined sales of domestic cars and light-trucks were 295,320, down 9.88 percent from last year's 327,693.

DOMESTIC SALES

	Feb. 11-20, 1989	Feb. 11-20, 1988
Eagle	1,213	1,018
Chrysler	5,695	10,395
Plymouth	5,984	8,639
Dodge	10,788	12,621
Chrysler Motors	23,680	32,673
Ford	39,194	41,361
Mercury	11,067	13,486
Lincoln	4,401	5,698
Ford Motor Co.	54,662	60,545
Buick	13,061	18,073
Cadillac	7,047	5,781
Chevrolet	32,432	42,291
Oldsmobile	21,856	19,831
Pontiac	19,319	20,691
General Motors	93,715	106,667
Volkswagen	—	1,159
Honda	7,880	5,926
Nissan	2,339	1,599
Toyota	2,145	1,176
Mazda	818	569
Mitsubishi	433	—
U.S. Car Total	185,672	210,316

AUCTION DATES

Chrysler

Feb. 28 — Florida Auto Auction of Orlando, Ocoee, Fla.; Hatfield Auto Auction, Hatfield, Pa.; Arena Auto Auction, Chicago; American Auto Auction, Walpole, Mass.; Clanton's Auto Auction, Darlington, S.C.; Denver Auto Auction, Aurora, Colo.; South Seattle Auto Auction, Kent, Wash.; and Golden Gate Auto Auction, Fremont, Calif.

March 1 — A.D.E. of Birmingham, Birmingham, Ala.; and Butler Auto Auction, Gibsonia, Pa.

Ford Motor Co.

Feb. 28 — Greater Chicago Auto Auction, Chicago; Harrisonburg Auto Auction, Harrisonburg, Va.; and Bay Cities Auto Auction, Inc., Hayward, Calif.

March 1 — Northway Auto Auction, Clifton Park, N.Y.; Indianapolis Auto Auction, Indianapolis; and Metro Auto Auction of Kansas City, Lee's Summit, Mo.

General Motors

Feb. 28 — Southern Auto Auction, East Windsor, Conn.; Dallas Auto Auction, Grand Prairie, Texas; and Manheim Auto Auction, Manheim, Pa.

March 1 — Baltimore-Washington Auto Exchange, Baltimore; Atlanta Auto Auction, Atlanta; Clanton's Auto Auction, Darlington, S.C.; Southern California Auto Auction, Fontana, Calif.; Omaha Auto Auction, Omaha, Neb.; and Mississippi Auto Auction, Hattiesburg, Miss.

March 2 — Mid Ark Auto Auction, North Little Rock, Ark.; Arena Auto Auction, Chicago; Ohio Auto Auction, Grove City, Ohio; and St. Louis Auto Auction, Bridgeton, Mo.

Used Car Sales
Auction Averages

February 89	$5,597
Month ago	$5,520
Year ago	$5,820

Model Breakdown
Auction Averages

	FEB 1989	JAN 1988	DEC 1988
1989 ...	$10,875	$12,109	—
1988 ...	$7,978	$8,612	$9,894
1987 ...	$7,059	$7,136	$7,686
1986 ...	$6,028	$5,944	$4,874
1985 ...	$4,705	$4,873	$4,747
1984 ...	$3,953	$3,760	$3,723
1983 ...	$2,727	$2,795	$2,776
1982 ...	$2,320	$2,246	$2,343
Overall Average	$5,597	$5,545	$5,824

AWARD

Minority buying by GM honored

By Jim Henry
AUTOMOTIVE NEWS STAFF REPORTER

NEW YORK — General Motors has been honored by the National Minority Business Council for GM's support of minority-owned suppliers.

Donald A. Pais, GM vice president, materials management staff, said GM spent about $1.1 billion with minority-owned firms in 1988.

John W. Haines, director of minority supplier development for the materials management staff, said 1988 was the third consecutive year GM topped $1 billion in purchases of materials and services from minority-owned businesses.

American Express, IBM and the University of Medicine & Dentistry of New Jersey received similar awards.

The awards are given for "exemplary commitment and responsiveness to minority-owned firms by large corporations," the council said.

Last month, GM signed an agreement with the National Association for the Advancement of Colored People to provide equal opportunities for blacks and other minorities.

Donald Pais, left, receives award from Philip Duffy, chairman of the National Minority Business Council advisory council

And last month, a tentative settlement was announced in a six-year-old class-action lawsuit in which GM was accused of using an employee evaluation system — which has since been scrapped — that allegedly discriminated against black employees because it was vague and left substantial discretion to supervisors.

GM agreed to make financial settlements with black salaried workers and to establish a computer system to monitor the career progress of black employees. It also agreed to pay about $3 million to 3,800 past and present employees in back pay and pay adjustments.

In reaching the settlement, GM did not admit discrimination.

Chrysler calls owners about satisfaction

HIGHLAND PARK, Mich. — Some 3,500 Chrysler Motors employees have volunteered to telephone more than 180,000 owners of Chrysler products in a new customer satisfaction campaign.

Each volunteer Chrysler employee will make about 60 telephone calls by March 31.

After verifying that the caller has reached an owner or driver of a Chrysler product, several questions are asked. They include: "Is there anything, positive or negative, that comes to mind about your experience with Chrysler? Something about the product itself or your experience purchasing the product or having it serviced?"

The caller records the responses and asks what improvements could be made. The telephone poll results will be tabulated and distributed throughout Chrysler for review.

"Calling the customer is another step toward Chrysler's goal of complete customer satisfaction," said A.C."Bud" Liebler, Chrysler Motors director of marketing services. "To reach that goal, we need to talk directly to our customers, to listen to them so that we understand their specific wants and needs."

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Todd Auto Auction, Old Route 309, P.O. Box 380, Telford, Pa. 18969. 215-721-1300 or 800-234-TODD. Next Sale — March 2nd.

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Europe's sales boom continues

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — Europe's new-car market continued to surge in January, belying predictions of a downturn in 1989.

New-car sales rose 11.5 percent, according to industry estimates compiled by Automotive News.

Sales in 17 Western European countries totaled 1,163,800 in January, up from 1,044,200 in 1988.

Industry executives and analysts have almost unanimously forecast a drop of 3 to 5 percent from last year's record sales of 13 million.

However, January is not necessarily considered a good month to gauge trends because of winter weather and national legislative changes that affect car sales.

Many European car industry officials predicted that the sales slippage wouldn't occur until the second half of 1989. On the other hand, the experts have so far underestimated the staying power of the current boom.

The European downturn is already at least a year overdue. Virtually every forecaster expected a decline in 1988, but the industry continued to gather strength in such key markets as the United Kingdom, France, Italy and Spain.

The United Kingdom began 1989 as the biggest market. West Germany, by far Europe's largest market in recent years, ranked fourth.

Volkswagen AG, which by most accounts had a good enough December to edge Fiat Group for first place in 1988, fell to third behind Fiat and Peugeot S.A. in January.

First-place Fiat Group, including the Fiat, Lancia and Alfa Romeo brands, rose 7.4 percent to 184,000 in January and garnered 15.8 percent of the market.

Peugeot S.A., including the Peugeot and Citroen makes, took advantage of the robust French market in January to vault past VW Group into second place. Peugeot S.A. took 14.3 percent of European sales in January, increasing unit volume by 25.1 percent to 166,900. The total included an 8.8 percent share for Peugeot and 5.5 percent for Citroen.

Maintaining second place for all of 1989 is considered unlikely for Peugeot. However, in the last two years, the French group has surged past Ford to take firm grip on third place in Europe, and Chairman Jacques Calvet has set his sights on first place by the early 1990s.

But achieving the latter goal will require the addition of a Golf/Kadett/Escort-class car in the Citroen line. It is expected in 1991 or 1992.

Volkswagen, Europe's sales leader since 1985, held only 12.9 percent of the market in January after achieving 14.9 percent in 1988. However, group sales, which include VW, Audi and Seat, actually rose 9.6 percent to 150,100.

VW brand sales jumped 13.7 percent in January, although the new Passat mid-ranger was not in the lineup a year earlier. Audi sales rose only 1.5 percent in January to 25,800. The group's market share consisted of 8.6 percent for VW, 2.2 percent for Audi and 2.1 percent for Seat.

Ford, which fell back to 11.3 percent in 1988 from 12 percent a year earlier, hit its goal of returning to 12 percent as January sales rose 11.4 percent to 140,100.

In Ford's strongest market — the United Kingdom — market share in January returned to the 29 percent the company held in 1987. Last year, a strike in Britain helped cut Ford's first-place share to just over 27 percent.

General Motors was next in Europe with 129,100 January sales, an increase of 13.7 percent and an 11.1 percent share. Renault was sixth among Europe's six large-volume manufacturers with an 11.3 percent increase to 114,800 units and a 9.9 percent share.

Among specialists, BMW surged 37.7 percent to 34,000 units and a 2.9 percent share. However, in January 1988, the company had not yet introduced the new 5 series that has fueled its current spurt.

Mercedes-Benz sales fell 4.7 percent in January to 38,500 and a 3.3 percent market share. In Germany, Mercedes tumbled 11.3 percent to 20,800, while BMW with its newer lineup was surging 91.3 percent to 15,000.

Combined Japanese sales edged upward 3.4 percent in January to 109,900, equal to 9.4 percent of the overall market. The growth of Japanese shipments to Europe closely mirrored the overall increase in the market in 1988 and share held at about 11 percent.

Nissan continued to lead the Japanese makers in Europe with sales of 28,400 last month, an increase of 5.2 percent and a 2.4 percent share.

EUROPEAN SALES

Manufacturer	Jan. 1989	1988 share*	Jan. 1988	Change Jan. vs. Jan.
Fiat Group**	184,000	15.8	171,400	+ 7.4
PSA***	166,900	14.3	133,400	+25.1
VW-Audi-Seat	150,100	12.9	136,900	+ 9.6
Ford	140,100	12.0	125,800	+11.4
General Motors****	129,100	11.1	113,500	+13.7
Renault	114,800	9.9	103,100	+11.3
Austin Rover	40,500	3.5	37,900	+ 6.9
Mercedes-Benz	38,500	3.3	40,300	- 4.7
BMW	34,000	2.9	24,700	+37.7
Nissan	28,400	2.4	27,000	+ 5.2
Volvo	27,000	2.3	23,700	+13.9
Toyota	24,900	2.1	25,000	- 0.4
Mazda	17,700	1.5	18,100	- 2.2
Mitsubishi	12,800	1.1	10,300	+24.3
Lada	10,500	0.9	8,700	+20.7
Others	44,500	3.8	44,400	+ 0.2
Total	1,163,800	100.0	1,044,200	+11.5

* Total does not add up to 100 percent because of rounding
** Includes Alfa Romeo
*** Peugeot, Citroen, Talbot
**** Opel, Vauxhall, Isuzu, GM-U.S./Canada

NEW-CAR SALES BY COUNTRY IN EUROPE

Country	Jan. 1989	Pct. Change Jan. 1988
United Kingdom	220,200	+13.2
Italy	220,000	+ 6.8
France	202,000	+25.7
West Germany	185,800	+22.2
Spain	88,000	+ 9.4
Netherlands	73,100	-18.9
Belgium-Luxembourg	45,000	+ 3.7
Switzerland	25,300	+18.8
Finland	21,800	+21.9
Austria	21,500	+31.9
Sweden	21,300	+ 0.4
Portugal	13,700	+26.8
Ireland	8,600	+30.8
Denmark	6,800	-23.0
Greece	6,300	+24.8
Norway	3,800	-56.2
Total	1,163,800	+11.5

The largest single market in January was the United Kingdom, where sales rose 13.2 percent to 220,200. Second-place Italy grew 6.8 percent to 220,000 and third-place France climbed 25.7 percent to 202,000 units.

West Germany, Europe's only major country to lose sales in 1988, improved 22.2 percent in January to 185,800 units.

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page 46

PRODUCTION

Auto output is 148,464, down 5%

By Kathy Boyer
AUTOMOTIVE NEWS STAFF REPORTER

Last week's scheduled domestic auto output dipped below the prior week's build as three General Motors plants were idle.

Automakers planned production of 148,464 units last week, 5.90 percent below the previous week's 157,768 but 14.63 percent more than the year-ago week's 129,514, when several plants were closed for inventory adjustment.

So far this year, 1,191,836 cars have been assembled, 19.61 percent more than the 996,443 completed last year at this point.

Companies split last week's estimated production as follows:

General Motors, 45.51 percent; Ford Motor Co., 25.02 percent; Chrysler Motors, 14.55 percent; Honda of America Manufacturing, 5.60 percent; Mazda Motor Manufacturing (U.S.A.) Corp., 3.26 percent; New United Motor Manufacturing Inc., 2.69 percent; Nissan Motor Manufacturing Co. U.S.A., 1.58 percent; Toyota Motor Manufacturing U.S.A., 1.32 percent; and Diamond-Star Motors, 0.47 percent.

Truck assembly was slated at 91,027 last week, 5.54 percent below the previous week's 96,365 but 5.79 percent more than the year-ago week's 86,045.

Year-to-date, 723,772 trucks have been built, 8.40 percent more than the 667,667 assembled last year at this point.

GM will temporarily shut down its Willow Run, Mich., plant March 6 because of slow sales of the Pontiac Bonneville. The plant is expected to resume output March 13.

Three GM plants were closed all last week and one plant was idle Monday.

GM's Framingham, Mass., plant was closed Monday for the Presidents' Day holiday.

The company's Fairfax, Kan., and Doraville, Ga., plants will be down until March 6 for inventory adjustment and its Tarrytown, N.Y., plant remains closed for model changeover.

Overtime was slated last Saturday at GM's Lordstown, Ohio; Pontiac, Mich.; and Moraine, Ohio, plants.

Ford scheduled daily overtime this week at all its assembly plants except the facility in Edison, N.J.

Canadian cars up; trucks down

Canadian automakers targeted last week's build at 22,231 units, 8.69 percent more than the prior week's 20,454 and 12.43 percent more than the year-ago week's 19,773.

So far this year, 156,821 cars have been assembled, 10.58 percent below the 175,366 completed last year at this point.

Last week's scheduled truck production of 21,417 declined 3.86 percent from the previous week's 22,276 but increased 6.39 percent over the year-ago week's 20,131.

Chrysler Motors' Pillette Road plant in Windsor, Ontario, will be idled March 13 for inventory adjustment.

U.S. CAR	Week Ended Feb. 25, 1989	Week Ended Feb. 27, 1988	Week Ended Feb. 18, 1989	Feb. to Date	Jan. 1 to Feb. 25, 1989	Jan. 1 to Feb. 27, 1988
Horizon	0	1,708	0	0	0	13,530
Sundance	2,100	2,047	2,341	8,123	19,348	16,914
Reliant	0	0	0	0	0	11,776
Acclaim	3,400	0	2,857	9,436	15,480	0
Caravelle	0	0	0	0	0	2,881
Gran Fury	0	294	0	0	0	2,050
Total Plymouth	5,500	4,049	5,198	17,559	34,828	47,151
LeBaron K	0	0	0	0	0	1,641
LeBaron J	2,200	1,908	2,297	8,153	18,427	4,881
LeBaron GTS	300	136	384	1,283	2,423	1,175
N. Yorker C-Class	2,700	2,579	2,760	9,571	20,374	15,325
Fifth Avenue	0	1,052	0	0	0	9,804
Total Chrysler	5,200	5,675	5,441	19,007	41,224	32,826
Omni	0	1,692	0	0	0	13,195
Daytona	2,200	1,876	2,268	8,120	18,460	4,071
Shadow	2,300	2,371	2,567	8,928	19,658	17,546
Aries	0	0	0	0	0	9,253
Dodge 600	0	0	0	0	0	2,486
Dynasty	3,400	2,914	3,619	12,193	26,138	16,978
Lancer	100	266	152	517	1,431	2,018
Spirit	2,900	0	2,566	9,505	15,839	0
Diplomat	0	508	0	0	0	3,142
Total Dodge	10,900	9,627	11,172	39,263	81,526	68,689
CHRYSLER MOTORS	21,600	19,351	21,811	75,829	157,578	148,666
Escort	5,778	8,149	5,672	24,148	61,562	67,466
Mustang	4,538	4,165	4,514	15,969	33,729	35,961
Tempo	3,247	4,084	3,277	11,699	28,141	32,666
Taurus	7,843	7,904	8,073	28,657	64,154	63,521
Thunderbird	3,434	2,998	3,930	13,906	29,172	25,997
Total Ford Div.	24,840	27,300	25,466	94,379	216,758	225,611
Topaz	1,246	1,477	1,280	4,539	10,629	12,304
Cougar	3,407	2,772	3,751	11,516	23,717	20,160
Sable	2,899	2,710	2,101	8,319	20,549	19,293
Total Mercury	7,552	6,959	7,132	24,373	54,895	51,757
Continental	1,429	925	1,393	5,161	11,928	6,597
Mark VII	477	466	462	1,868	5,229	4,393
Lincoln	2,854	2,783	2,783	9,851	20,000	23,960
Total Lincoln	4,760	4,174	4,638	16,880	37,157	34,950
Total L-M Division	12,312	11,133	11,770	41,253	92,052	86,707
FORD MOTOR CO.	37,152	38,433	37,236	135,632	308,810	312,318
Skyhawk	208	0	207	779	2,767	5,020
Skylark/Somerset	1,307	331	1,311	4,703	7,503	4,234
Century	1,677	1,213	1,505	6,617	20,832	7,858
Riviera	631	237	633	2,216	4,804	1,124
Electra	1,959	1,264	1,963	7,085	14,697	10,990
LeSabre (fwd)	1,850	2,514	2,307	6,935	8,091	19,097
LeSabre (rwd)	200	128	206	736	1,599	808
Reatta	169	103	170	339	1,105	594
Total Buick	8,001	5,790	8,302	29,411	61,398	49,725
Cimmaron	0	286	0	0	0	2,295
Eldorado	744	889	766	2,648	5,681	3,771
Seville	651	629	661	2,215	4,495	2,794
Brougham (rwd)	910	0	1,050	3,696	8,161	0
Deville (fwd)	4,760	4,318	4,791	17,175	35,194	30,530
Allante	75	65	75	270	585	270
Total Cadillac	7,140	6,187	7,343	26,003	54,116	39,660
Cavalier	8,762	6,758	8,800	30,903	68,250	50,264
Camaro	2,550	1,063	2,419	8,691	19,140	7,371
Celebrity	2,740	4,874	2,968	10,969	29,607	24,516
Corsica/Beretta	9,110	8,866	9,374	33,177	70,584	53,651
Caprice	4,265	4,077	4,691	14,777	29,067	33,896
Corvette	525	451	525	1,889	3,948	3,402
Total Chevrolet	27,952	26,089	28,777	100,405	220,596	173,100
Calais	2,293	2,113	2,279	7,911	12,732	16,509
Firenza	0	0	0	0	0	2,527
Cutlass Ciera	1,236	0	1,925	6,039	13,053	0
Cutlass Supreme	0	1,847	3,533	9,273	21,568	14,416
Toronado	222	517	224	875	2,175	2,260
88 (fwd)	4,584	120	4,057	14,991	30,636	23,262
88 (rwd)	100	186	129	435	1,343	2,212
Olds 98	2,184	1,886	2,182	7,877	16,172	13,833
Total Oldsmobile	10,619	6,669	14,329	47,401	97,679	74,285
Sunbird	3,286	2,086	3,394	11,125	21,303	17,923
Grand Am	5,095	4,816	4,986	18,147	38,432	36,491
Firebird	1,825	717	1,631	5,483	12,017	6,515
Grand Prix	0	1,823	4,000	8,000	20,001	16,402
Pontiac 6000	1,400	1,723	1,351	5,455	14,658	4,189
Bonneville	2,315	0	2,312	8,135	16,278	13,659
Safari/Parisienne	120	114	110	405	858	952
Fiero	0	600	0	0	0	1,833
Total Pontiac	13,841	11,879	17,784	56,751	123,547	90,854
GENERAL MOTORS	67,553	56,614	76,535	259,972	557,336	427,624
DIAMOND-STAR	701	0	683	2,340	4,626	0
HONDA	8,320	7,453	8,455	29,968	62,447	56,259
Civic	2,820	1,800	2,830	10,083	21,006	13,126
Accord	5,500	5,653	5,625	19,885	41,441	43,133
MAZDA†	4,833	1,013	4,806	17,850	38,431	8,221
NISSAN	2,340	1,326	2,341	8,392	18,385	10,708
NUMMI	4,000	3,334	3,878	14,543	29,255	24,865
Corolla	1,600	1,251	1,646	6,073	12,707	8,577
Geo Prizm/Nova	2,400	2,083	2,232	8,470	16,548	16,288
TOYOTA	1,965	0	2,023	7,060	14,968	0
VOLKSWAGEN	0	1,990	0	0	0	7,782
Golf/GTI	0	1,290	0	0	0	5,182
Jetta	0	700	0	0	0	2,600
Total Cars, U.S.	148,464	129,514	157,768	551,587	1,191,836	996,443
Total Cars, Canada	22,231	19,773	20,454	76,359	156,821	175,366
U.S., Canada Cars	170,695	149,287	178,222	627,946	1,348,657	1,171,809
U.S., Canada Cars and Trucks	283,139	255,463	296,863	1,045,509	2,237,261	1,989,388

Monthly estimates may contain error of one or two units due to rounding.
†—Total includes the MX-6 and Ford Probe.

CANADIAN CAR	Week Ended Feb. 25, 1989	Week Ended Feb. 27, 1988	Week Ended Feb. 18, 1989	Feb. to Date	Jan. 1 to Feb. 25, 1989	Jan. 1 to Feb. 27, 1988
Premier	1,275	1,524	1,312	4,647	9,033	12,831
CHRYSLER MOTORS	1,275	1,524	1,312	4,647	9,033	12,831
Tempo	3,204	3,843	3,211	11,760	29,353	32,651
Topaz	1,692	1,851	1,697	6,154	11,393	12,107
Crown Victoria	2,554	2,841	2,264	8,980	20,975	22,527
Grand Marquis	3,206	2,858	2,835	10,797	22,605	21,884
FORD MOTOR CO.	10,656	11,393	10,007	37,692	84,326	89,169
Celebrity	196	0	210	727	1,586	3,020
Cutlass Ciera	3,720	1,946	4,083	13,784	30,185	30,571
Lumina	1,191	0	607	2,628	3,245	0
Pontiac 6000	0	874	0	0	0	8,180
Regal	3,399	3,235	2,315	10,085	14,467	25,952
GENERAL MOTORS	8,506	6,055	7,215	27,222	49,483	67,723
Civic	1,650	666	1,740	6,187	12,630	4,817
Accord	0	0	0	0	0	0
HONDA	1,650	666	1,740	6,187	12,630	4,817
VOLVO	144	135	180	612	1,349	826
Total Cars, Canada	22,231	19,773	20,454	76,359	156,821	175,366

U.S. TRUCK☆	Week Ended Feb. 25, 1989	Week Ended Feb. 27, 1988	Week Ended Feb. 18, 1989	Feb. to Date	Jan. 1 to Feb. 25, 1989	Jan. 1 to Feb. 27, 1988
Caravan	2,300	1,822	2,563	8,415	18,235	15,832
Dakota	2,200	2,788	2,242	8,061	17,135	17,105
Mini-Ram Van	200	310	218	732	1,626	2,514
Pickups	2,200	1,342	2,247	8,056	17,115	8,394
Total Dodge	6,900	6,262	7,270	25,265	54,111	43,845
Cherokee	4,200	3,807	5,243	17,136	34,891	29,129
Commanche	700	1,055	852	2,866	5,890	8,067
Grand Wagoneer	300	0	350	1,210	2,665	2,094
Wagoneer	100	280	205	648	1,503	2,196
Total Jeep	5,300	5,142	6,650	21,860	44,949	41,488
Voyager	2,200	1,828	2,403	8,030	17,839	14,544
Total Plymouth	2,200	1,828	2,403	8,030	17,839	14,544
CHRYSLER MOTORS	14,400	13,232	16,323	55,155	116,899	99,877
Aerostar	4,956	4,470	4,838	17,785	37,996	37,089
Bronco	1,841	1,276	2,118	6,954	15,362	10,052
Bronco II	2,901	2,987	3,274	10,931	22,620	24,652
Econoline	5,252	5,139	5,216	18,813	40,345	40,742
Heavy trucks	1,451	1,335	1,483	5,116	10,617	10,584
Light trucks	11,360	10,275	11,615	41,384	89,567	79,277
Ranger	7,671	7,172	8,448	28,962	59,606	58,516
Total Ford Div.	35,432	32,654	36,992	129,945	276,113	260,912
FORD MOTOR CO.	35,432	32,654	36,992	129,945	276,113	260,912
Astro	3,255	3,778	4,190	12,966	27,462	26,394
Blazer	511	453	583	2,011	4,475	4,431
Mediums/Heavies	0	299	0	0	0	4,632
P-Model	642	929	715	2,421	4,044	7,591
Pickups	8,985	7,006	8,949	34,371	74,104	47,961
S-10	5,756	6,550	5,870	22,237	47,842	41,617
S-10 Blazer	3,678	3,511	3,864	13,465	29,913	22,027
Sportsvan/Van	2,360	1,374	2,112	7,777	14,241	10,670
Suburban	1,437	1,250	1,738	5,810	12,575	11,435
Total Chevrolet	26,624	25,150	28,021	101,059	214,656	178,758
Jimmy	147	188	243	675	1,411	1,371
Mediums/Heavies	0	972	0	0	0	7,273
P-Model	135	88	143	498	711	607
Pickups	2,691	1,838	2,703	9,404	22,245	17,290
S-15	1,502	713	1,435	5,136	10,970	12,356
S-15 Jimmy	1,001	848	839	4,038	8,369	5,989
Safari	671	949	1,036	3,222	6,852	7,309
Suburban	488	674	729	2,176	4,998	6,009
Vandura/Rally Vans	553	999	555	1,950	3,944	7,657
Total GMC	7,188	7,267	7,683	27,100	59,500	65,861
GENERAL MOTORS	33,812	32,417	35,704	128,159	274,156	244,619
NAVISTAR	1,863	1,728	1,828	6,598	13,428	14,304
NISSAN	2,770	3,264	2,768	9,917	21,726	25,955
AM GENERAL	450	450	450	1,620	3,510	3,600
MISCELLANEOUS	2,300	2,300	2,300	8,280	17,940	18,400
Total Trucks, U.S.	91,027	86,045	96,365	339,674	723,772	667,667

CANADIAN TRUCK	Week Ended Feb. 25, 1989	Week Ended Feb. 27, 1988	Week Ended Feb. 18, 1989	Feb. to Date	Jan. 1 to Feb. 25, 1989	Jan. 1 to Feb. 27, 1988
Caravan	3,084	3,086	3,208	11,407	25,329	24,292
Mini-Ram Van	210	271	206	748	1,618	1,796
Ram Wagon	690	576	687	2,473	5,345	3,297
Ram Van	1,660	1,358	1,718	6,188	13,558	8,154
Total Dodge	5,644	5,291	5,819	20,817	45,850	37,539
Voyager	2,850	3,013	2,868	10,262	21,745	22,859
Total Plymouth	2,850	3,013	2,868	10,262	21,745	22,859
Wrangler	1,700	1,087	1,836	6,297	11,425	7,902
Total Jeep	1,700	1,087	1,836	6,297	11,425	7,902
CHRYSLER MOTORS	10,194	9,391	10,523	37,376	79,020	68,300
FORD MTR. (lt. trks.)	3,648	3,654	3,553	12,665	27,278	28,498
Light trucks	3,547	3,045	3,858	12,759	27,219	25,280
Vans	1,540	1,411	1,453	5,379	11,543	10,136
Total Chevrolet	5,087	4,456	5,311	18,137	38,762	35,416
Light trucks	1,613	1,915	1,933	6,525	12,848	11,323
Vans	605	488	683	2,478	5,076	4,622
Total GMC	2,218	2,403	2,616	9,004	17,924	15,945
GENERAL MOTORS	7,305	6,859	7,927	27,141	56,686	51,361
NAVISTAR	270	227	273	706	1,848	1,753
Total Trks., Canada	21,417	20,131	22,276	77,888	164,832	140,912
U.S., Canada Trks.	112,444	106,176	118,641	417,563	888,604	817,579

☆—Includes window van production. °—Estimated.
Jeep includes commercial only. AM General includes government-destined vehicles.
Miscellaneous includes estimates for Mack, Volvo-White, Kenworth, Peterbilt, Freightliner, Mercedes-Benz, etc.
Monthly estimates may contain error of one or two units due to rounding.

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Ad firms await new GM slash

Spiffs may ease commission cut

By Laura Clark
AUTOMOTIVE NEWS STAFF REPORTER

Advertising agencies that create and handle General Motors' $1 billion account will face a reckoning in 1989 as their client lowers the boom on commissions and forces them to find new ways to boost efficiency.

In the 1990 model year, GM will begin what is thought to be its final series of reductions of the commissions it pays to advertising agencies. Smaller GM accounts will live with commissions ranging from 10 to 12 percent, while commissions on large GM accounts — such as the $375 million Chevrolet account — will drop from about 10 percent to 9 percent.

GM shook up its agencies in 1985 when it said it would reduce commissions to cut costs. Reductions were phased over five years.

The new rates are a long way from the once-standard 15 percent commissions at GM agencies, but they fall within the ad industry's range of 8 to 15 percent.

As the agencies prepare for a lean 1990, GM and top agency executives have been discussing a new reward system that would pay incentives for effective, top-quality work. GM's Saturn unit is experimenting with a "risk-reward system" tying agency compensation to the success of the franchise.

Philip Guarascio — whose mission since joining GM in 1985 as executive director of advertising and strategic merchandising has been to get the most from GM's ad budget — is now focusing on ways to financially reward GM agencies that do good work. Guarascio has discussed such incentives with several top GM agency executives and other advertisers, but no plans have been made to institute them.

Guarascio

"I'm convinced that in the course of three to five years, we will continue to see major changes in the client/agency relationship and remuneration," said Guarascio.

"One aspect of that is to create reward systems and compensation programs."

He said the bonus would likely be based on the most important role an agency fills for GM — the creation of advertising. Car sales

see AGENCIES, page 51

AUTOMOTIVE NEWS/JOE WILSSENS

One of SAE's stars

One of the highlights of the SAE International Congress and Exposition was this Mercury Sable convertible, a concept car prepared by C&C (Cars & Concepts), Brighton, Mich. Plastics and electronics took center stage at the week-long event in Detroit, which attracted exhibitors from China, Australia, Italy and other nations. More than 39,100 engineers, designers and suppliers from throughout the world attended. **Story on Page 53.**

Production plans trimmed

But Greenwald, analysts expect incentives to stay

By Kathy Boyer
AUTOMOTIVE NEWS STAFF REPORTER

Although U.S. automakers trimmed their second-quarter production schedules slightly from 1988 levels, some analysts believe the schedules are still too hefty and that the makers will therefore maintain incentives for months to come.

Automakers plan to build 2.02 million cars in the second quarter, down a hair from the 2.03 million assembled in the same three-month span of 1988.

Meanwhile, the domestic makers trimmed their first-quarter schedules slightly, compared to initial plans. The industry now plans to build 1.93 million cars this quarter, compared to 1.94 million initially scheduled (Automotive News, Nov. 21).

The revised first-quarter schedule calls for 13.47 percent more cars to be built than the 1.70 million assembled in the first quarter of 1988.

Michael Luckey of Luckey Consulting Group, Cresskill, N.J., predicted that extended and sweetened incentives will be needed in the second quarter to keep inventories in line with sales. Moderate production cuts may also help trim the schedules, especially at General Motors, "but I don't expect the cuts will be that big," he added.

Gerald Greenwald, Chrysler Corp. vice-chairman, predicted last week that incentives will continue through April.

see FORECAST, page 54

Chrysler redirects LH project

By Mary Connelly
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Motors has redirected development of its car platform for the 1990s to permit adaptation to front-wheel-drive or rear-wheel-drive vehicles.

The LH platform, under development since 1987, is Chrysler's first car platform to be developed since the K-car platform debuted in 1980. The new platform will be used on Chrysler's mid-size and full-size cars throughout the 1990s. Sedan, coupe and luxury versions are planned.

Under consideration is configuring the LH platform to permit a longitudinal engine mounting adaptable to fwd, rwd and all-wheel-drive models, sources said. Chrysler previously was considering using a transverse-engine configuration that would preclude a rwd version.

A longitudinal mounting would permit Chrysler to re-enter the rwd car market from which it withdrew at the end of 1988.

The Eagle Premier, which has a longitudinal placement, is being used as "a guiding light" as Chrysler investigates the new platform configuration, according to a company source.

One study proposes use of the Premier front suspension but calls for an altered rear suspension due to noise, vibration and harshness factors, the source said.

Extensive use of Renault componentry has been ruled out by company executives, however. The Premier was developed by American Motors — which Chrysler acquired in 1987 — and uses Renault componentry and powerplants, which are costly at current exchange rates.

Chrysler is redirecting LH platform development because the company's management determined it was "too big, too heavy, too long, too costly and lacked personality," according to a company source. "It was not a big enough change from what we have today."

Said the source familiar with the program: "The biggest problem was it had no personality and was noth-

see CHRYSLER, page 54

DEALERS UP

Total rises 167 during 1988; census counts 25,105 outlets

By Edward Lapham and John K. Teahen Jr.
AUTOMOTIVE NEWS STAFF REPORTERS

The number of dealerships selling new cars in the United States rose during 1988, although the number of dealerships selling imported cars declined.

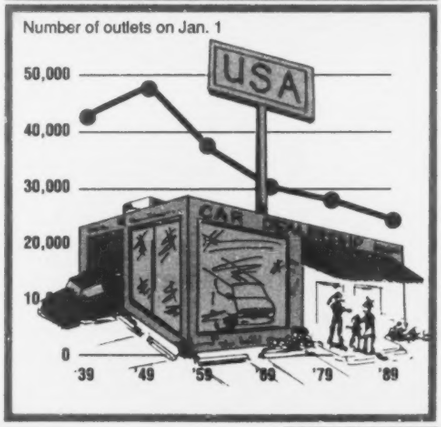
The annual Automotive News dealership census found that on Jan. 1, there were 25,105 dealerships selling new cars, a gain of 167 outlets, or 0.67 percent, over the 24,938 dealerships selling new cars on Jan. 1, 1988.

On Jan. 1, there were 22,060 dealerships selling imported cars, compared with 23,436 one year earlier.

The decline in the number of dealerships selling imported vehicles was the result of a reduced number of Chevrolet dealers with captive imports — not all of them opted for the Geo franchise — plus elimination of the Renault-built Medallion as a captive import for the Eagle franchise. Medallion is no longer imported.

see CENSUS, page 57

New-car dealerships in United States



AUTOMOTIVE NEWS/LANCE BRAVER

FTC requires Detroit dealers to stay open

By Helen Kahn
SENIOR CORRESPONDENT

WASHINGTON — The Detroit Auto Dealers Association will appeal a Federal Trade Commission order requiring 53 dealerships to expand showroom hours. The order reverses an administrative law judge's ruling that Saturday closings did not violate antitrust laws.

The commission said dealers must stay open a minimum of 64 hours per week for at least a year.

They have 60 days to appeal the order, otherwise it goes into effect.

For the last 14 years, most Detroit-area dealerships have been closed on Saturdays, as well as Tuesday, Wednesday and Friday evenings. It is the only U.S. metropolitan area where most dealers

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NEWSPAPER

INSIDE:

Banks skirt loan woes that hurt captive firms — Page 2

GM to merge 5 parts units into 2 — Page 3

Incentives extended; more due this week — Page 6

Profits rise for Europeans that don't rely on U.S.

By Richard Johnson
AUTOMOTIVE NEWS STAFF REPORTER

FRANKFURT, West Germany — Profits of Europe's once high-flying luxury-car makers dipped in 1988 while volume manufacturers soared to new heights.

And the figures made it clear that the less European carmakers had to do with the United States in 1988, the better off their bottom lines looked.

A soft U.S. luxury-car market undercut the profits of most of the competitors in that segment. Group profits at Daimler-Benz, Porsche, Jaguar and Saab fell in 1988. Last week, Saab-Scania reported its first pre-tax profit decline in 10 years.

Even thriving truck operations at Daimler, Volvo and Saab-Scania couldn't compensate entirely for car division setbacks at those companies. Only BMW saw profits rise.

However, profits at Europe's full-range producers are booming. Together, General Motors and Ford earned $3.37 billion in Europe last year. Peugeot S.A. said it exceeded the 7.5 billion franc ($1.21 billion) profit analysts had forecast. Fiat said group profits rose 23 percent last year.

Volkswagen AG said earnings improved in 1988, but results have been held down by overseas operations.

"We expect 1989 to be another good year for the volume manufacturers because the market is so strong and they sell most of their cars in Europe," said Sanjay Dabysing of DRI-Europe. "But the specialists are affected by the situation in the U.S."

New-car sales in Europe are expected to fall slightly in 1989, perhaps 3 to 4 percent, though the market has shown surprising strength.

But even if demand remains strong, there is concern about rising costs in Europe. Inflation and interest rates have edged upward, and there are signs of more aggressive discounting in some markets.

"What is important is the reaction of manufacturers to the slowdown," said Dabysing. "The volume manufacturers should continue to increase profits so long as there is no price war."

But there have been some ominous rumblings about the future. An internal European Commission study late last year said volume makers are threatened by an inability to match Japanese productivity and quality, have high levels of debt compared to Japanese and U.S. competitors and lack a non-European sales base.

While volume manufacturers grapple with those problems, the specialists exporting to the United States still have an uphill battle to stabilize earnings in the weak dollar era.

"It increasingly appears that Jaguar, Mercedes-Benz, BMW and Porsche are competing in a market sector that is no longer swollen annually by converts from existing U.S.-built luxury cars," according to a report issued last week by the Economist Intelligence Unit in Britain.

A roundup of earnings by major European manufacturers follows:

BMW: Earnings rose in 1988 on the strength of an announced 26 percent increase in revenue to a record 24.5 billion marks ($13.2 billion). That was the company's fastest rate of growth since the mid-1970s.

However, analysts believe lower volume in the United States and the cost of bringing out the new 5 series may have stunted last year's earnings growth, though many analysts expect a surge in 1989.

Evaluating BMW's worldwide performance is tricky since the company announces only parent company results.

DAIMLER-BENZ: The company has confirmed that group net profits fell slightly in 1988 despite a sharp rise in truck sales. Last year was the second straight year of stagnant results at Daimler, where 1987 earnings of 1.8 billion marks ($989 million) were up only 0.8

see PROFITS, page 56

Banks skirt car-loan woe

Tighter checks helped avoid captive firms' ills

By Louise Kertesz
AUTOMOTIVE NEWS STAFF REPORTER

In contrast to the financial subsidiaries of Ford Motor Co. and General Motors, the banks that finance auto loans are not having a problem with bad debt.

Preliminary results of a survey conducted by the Consumer Bankers Association also reveals that banks experienced significant growth in leasing last year.

The average bank is doing six times more retail loans through dealerships than directly to customers, according to Timothy Hinkin, assistant professor of management at the University of Virginia, who conducted the survey for the association.

"But a lot of business is going somewhere else," to the automakers' captive finance companies or to competing banks that are not financing the dealer's floorplan, Hinkin said.

About 200 banks responded to the survey, but their responses have not all been tabulated, Hinkin said. Final results of the survey will be out in April.

The Consumer Bankers Association is meeting in Tampa, Fla., this week for its annual Automobile Finance Conference.

Both Ford Credit and General Motors Acceptance Corp. reported lower earnings last year because of high loan losses.

But for retail banks, savings and loans and credit unions, "it appears as if past-due accounts as a percent of total accounts have been reduced slightly from the previous year," said Hinkin.

Hinkin believes the banks had a different experience from the captive finance arms because the finance companies "were very aggressive in lending to first-time buyers with very little money down, so they had more customers who may not be as creditworthy. That strategy may be backfiring."

Hinkin said he learned through contact with dealers that low interest rates stimulated so much business that the captive finance companies were swamped with applications. To process them expediently, "in evaluating them they erred on the side of leniency," Hinkin said.

The average maximum maturity of a new-car loan from a consumer bank was 64 months in 1988, up from 56 months in 1987. Banks are offering financing for up to 10 years on new car loans, with longer terms for foreign models, Hinkin said.

Direct loans to customers averaged about $8,000; loans through dealerships averaged $11,000. Hinkin said he didn't want to speculate on the reasons for the spread since the figures are preliminary.

Because the leasing business is so different from the lending business, "it seems two markets are developing," with leasing directed at the more affluent consumer, he said.

A greater percentage of lease applications were approved than loan applications last year. About 70 percent of the reporting banks involved in leasing activity said they experienced an increase in leasing last year, Hinkin said.

One reason is that tax reform has done away with the writeoff of interest expense, Hinkin said. Leasing is also attractive because it can result in a lower monthly payment, and the customer doesn't have to be concerned with disposing of the automobile, he said.

But banks are not taking advantage of opportunities to strengthen their relationships with dealers, according to Hinkin.

"The banks that are going to do well in the future are going to have to look more closely at relationships with dealerships," Hinkin said.

For instance, "a very small percentage of the banks are moving to automate their relationship with dealers" and most are therefore not taking advantage of an important marketing tool, said Hinkin.

Computers that connect dealers to the

See BANKS, page 54

BANKERS' 1988 PROFILE

Average Car Loan	
Downpayment	
New	$ 1,450
Used	$ 1,690
Loan term	
New	54 months
Used	40 months
Loan amount	
Direct to customer	$ 7,811
To customer through dealer	$10,901
Average Car Lease	
Contract average	$13,573
Residual value	$ 5,592
Capital cost	$16,919
Average Floorplanning	
Days	79
Unit average	$10,532

Preliminary results of Consumer Bankers Association survey conducted by Center for Financial Services Studies, McIntire School of Commerce, University of Virginia.

2nd Honda plant prepares to build new car in 1991

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

MARYSVILLE, Ohio — When Honda America Manufacturing opens its second car plant in nearby East Liberty later this year, it will mean more than additional volume. It may signal the beginning of a broader range of Honda products built in the United States.

However, a decision on which model to add is still months away.

Honda's new East Liberty plant will start production in August and will spend an entire year building four-door Civics, similar to models produced at the present Marysville plant.

But company officials say a changeover will occur after a year, and the new facility is capable of producing any vehicle in the Honda lineup. Among the possible candidates for U.S. production are Prelude and one of the two Acura models, the Integra or the Legend.

U.S. sales of the Prelude fell from 79,841 in 1986 to 52,541 last year. Integra sales rose about 5 percent last year to 57,468, while Legend sales climbed about 29 percent to 70,770.

Both the Accord and the Acura Integra are slated to be revamped this fall.

With a production capacity of 150,000 units a year, the new Ohio plant will offer the company considerable flexibility.

Al Seitter, senior staff engineer for the $380 million new facility, said the East Liberty operation is more concerned now with successfully launching Civic production this year than with what will follow. But he added that a new model will replace the Civic after about 12 months.

He indicated Honda will make the decision on a new U.S. vehicle within a few months of this summer's production start-up.

It will take the plant about nine months to tool up for any model Honda makes, except the Acura Legend. That vehicle would take another three months to tool up, he said.

Seitter said the Legend requires a unique procedure in body painting that would mean either adding a paint booth to the East Liberty line or running the cars through twice.

Should company decision-makers in Japan decide to produce the Legend here, either paint shop option would be feasible, since Legend volume is still low enough to allow a double run-through, he noted.

Seitter said some East Liberty engineers are lobbying for Ohio production of the newly revealed Acura sports car, code-named NS-X, although he said such a decision was remote. The car is expected to sell in the $50,000-$60,000 range and go into production in mid-1990. Plans call for a run of 5,000 units a year, of which 3,000 will be marketed in the United States.

Honda leads its chief Japanese competitors, Nissan and Toyota, in the number of models it builds in North America, as well as in total U.S. production volume.

The seven-year-old Marysville plant produces 360,000 cars a year divided among Civic four-door sedans, Accord four-door sedans and Accord coupes. The company is also building 50,000 Civic hatchbacks a year in Alliston, Ontario, for the U.S. and Canadian markets.

Automotive News promotes Flax

Arthur Flax has been promoted to Washington bureau chief for Automotive News. He most recently was engineering and service editor and, before that, assistant truck editor. Flax joined Automotive News in 1984 from Transport Topics, a trucking industry publication based in the nation's capital.

Flax

He is a Washington native and a graduate of the University of Maryland, where he studied journalism and mechanical engineering.

Saab 9000 two-door

A two-door version of the Saab 9000-CD four-door notchback was scheduled to be unveiled at the Geneva auto show by ASC Inc. of Southgate, Mich. The conversion includes a front air dam with driving lamps and a rear deck spoiler. The car's suspension has been modified.

10-day results erratic

How accurate is sales data?

By Philly Murtha
AUTOMOTIVE NEWS STAFF REPORTER

The last three months of 10-day sales reports on domestic cars have been so irregular that some analysts have been questioning their usefulness in tracking the auto market.

"I'm chagrined at the erratic pattern over the last months. There have been substantial reporting aberrations. It's mind-boggling when there are 80,000 more cars sold in the final 10 days of a month," said Michael Luckey of Luckey Consulting Group, Cresskill, N.J.

"The phones rang off the hook here a month ago," said a U.S. Department of Commerce representative who tracks retail-car unit and dollar sales. "There's some reason for a discrepancy, and we wondered if it were unique."

Ten-day reports give analysts, economists and marketers a chance to quickly analyze data, although many question its reliability. Originally, the 10-day numbers were supposed to be an informational tool. But over the years, "the informational tool by accident got a slight marketing push to it," said L. Ray Windecker, research and analysis manager for Ford Motor Co.

He pointed out there's something called "10-day tempo," in which low sales in the first period of a month encourage those in the industry to increase their efforts as the month progresses. That's why it's "virtually unheard of for a final period to have a lower sales figure than the first one or two periods," Windecker said.

Although there is a great retail sales push at the end of every calendar year, the final 10-day period of December 1988 particularly concerned analysts.

Early-December car sales declined 39,008 units from the final period of November. Both periods had eight selling days. Mid-month domestic-car deliveries rose by 8,208 units.

The final December period — Dec. 21-31 — surged ahead of the mid-month period by 96,400 units. There was one extra selling day in the final period. December's final 10-day sales were 30 percent above the same period in 1987. Both of those periods had nine selling days.

"The December (1988) bulge happened because there were some new sales incentives during the month, and a lot of dealers took advantage of the final period. It was really window dressing by the companies," said David Healy, analyst for Drexel, Burnham Lambert, New York.

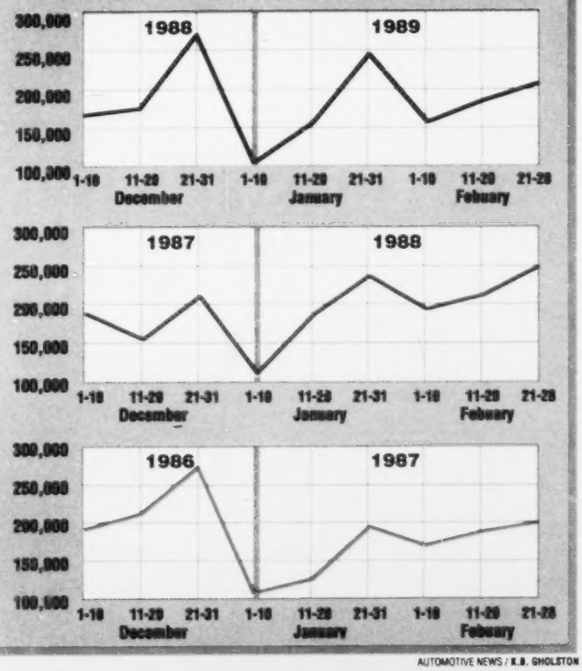
Ronald Glantz, analyst with Montgomery Securities, San Francisco, suggested a number of reasons for recent 10-day results.

"There was a major push into

see SALES, page 56

10-day sales fluctuate wildly

Domestic car makers generally reported stronger sales as each month progressed.



AUTOMOTIVE NEWS / K.B. GHOLSTON

Domestic sales dive 15% for February

Sales of new cars built in the United States slipped 15.49 percent in the final 10 days of February and were down 14.95 percent for the full month.

Retail deliveries for Feb. 21-28 were 208,521 units compared with 246,742 units a year earlier.

February sales this year totaled 552,042 units compared with 649,059 a year earlier.

The February sales decline followed a 4.04 dip in January.

For the month, Chrysler sales fell 29.72 percent, to 69,452 from 98,819 last year. General Motors was down 20.44 percent, to 264,089 from 331,917; and Ford Motor Co. was off 6.17 percent, to 165,962 from 176,878.

Toyota had a sales gain of 243.59 percent on sales of 11,390 units against 3,315 last year. Nissan dealers delivered 90.66 percent more units as sales rose to 9,005 from 4,723. Honda reported a gain of 1.17 percent, 27,926 vs. 27,604. Mazda, with 2,978, was up 63.09 percent over 1,826 in 1988.

Newcomer Mitsubishi sold 1,240 U.S.-built cars in February.

GM ready to merge 5 parts units into 2

By Michelle Krebs
AUTOMOTIVE NEWS STAFF REPORTER

DETROIT — General Motors will announce this week that it will consolidate more of its components divisions.

The Inland and Fisher Guide divisions will be merged into one division. The Delco Moraine, New Departure Hyatt and Saginaw divisions will be grouped in a single division.

GM officials won't confirm that the announcement will be made this week. However, they said a study of the operations of Inland and Fisher Guide divisions has been under way since September 1988. A study of the Delco Moraine, New Departure Hyatt and Saginaw divisions began late last year.

Inland Division makes seating parts, interior trim, brake components, MacPherson strut mounting components and engine and transmission mounts. Fisher Guide makes lighting products, bumper and door systems and exterior trim.

Delco Moraine produces automatic transmission parts and brake components, including anti-lock brake systems. New Departure Hyatt builds wheel bearing systems, bearings, forgings and clutches. Saginaw Division produces components for steering systems, anti-theft devices, axles and brake parts.

The restructuring is not expected to result in plant closings or employee layoffs. Instead, the mergers are designed to group similar operations so that two divisions don't work on the same type of product in competition with each other.

The latest mergers are patterned after last September's consolidation of the AC Spark Plug and Rochester Products divisions into the AC Rochester Division.

Jan E. Tannehill, general manager of the AC Rochester Division, said at last week's SAE International Congress and Exposition that the merger of those two divisions did not result in plant closings or layoffs.

"We're still in the process of sorting out what our resources really are, what we need to do the job and what resources need to be re-allocated," Tannehill said, adding the process will take two to three years.

Tannehill said AC Rochester salaried workers are likely to be affected more than hourly workers because there are more redundancies between divisions in engineering.

"In some cases, we're realigning," Tannehill said. "In some cases, we're eliminating."

For example, both divisions before the merger were working on a drive-by-wire system — an electronic rather than a mechanical steering system. When the system was ready for production, both divisions would have competed in selling it. Now, drive-by-wire development has been consolidated into one area.

GM's strategy for its automotive components group, the umbrella organization for the parts divisions, is to group similar operations into strategic business units within the divisions so that they can work together on entire systems of vehicles, Tannehill said. In the past, groups within the components divisions worked on individual components that eventually went into a subsystem.

Under the new strategy, a number of divisions may work on a system. One division becomes the lead division, responsible for the total system. Its responsibilities include working with suppliers, engineering the product, pricing it and delivering it.

"It's a single point of contact with the customer so he's not dealing with several GM divisions," Tannehill said.

GM has been grappling with what to do with its components operations for several years.

In 1986, it launched what has come to be known as the "red light, green light, yellow light" study.

That study looked at every product made by GM's components operations. Money-making operations with world-class quality received a green-light designation. Yellow-light operations were borderline and were given an opportunity to become profitable. Unprofitable operations got the red light. GM said at the time the red-light operations, which represented 10 percent of its components operations based on sales, were unlikely

see GM, page 6

Auto industry skittish as interest rates climb

By David Versical
AUTOMOTIVE NEWS STAFF REPORTER

The highest interest rates in more than four years have sparked new worries about how the auto industry will fare in 1989.

Last month's back-to-back hikes in the prime rate — which increased from 10.5 to 11.5 percent in two weeks — have prompted economists to take a second look at their projections. There is fresh concern over whether the Federal Reserve Board will have to pursue an even tighter control of the money supply to reign in inflation.

The higher rates fueled predictions that automakers will have to rely increasingly on incentives, including discount financing programs, to keep sales moving. They gave every indication of that last week. On Thursday, Ford Motor Co. extended its incentive program for two more months, as did Chevrolet and Oldsmobile. Other GM divisions are expected to follow suit this week.

The programs could crunch the bottom lines at the automakers' financing arms, as they did last year. Both Ford Motor Credit Co. and General Motor Acceptance Corp. saw earnings decline in the 17-18 percent range last year. The falloff was attributed to narrower interest margins — the spread between what a credit arm pays for money and what it charges for loans — and high loan losses.

The prime rate climbed from 8.5 percent in February 1988 to 10.5 percent at year-end 1988.

Even before the current round of interest rate increases, analysts had predicted that automakers would rely heavily on incentive programs this year.

Second-quarter production schedules also reflected a sober outlook. After increasing first-quarter output by a projected 13 percent above year-ago levels, U.S. car builders, including transplants, are now holding flat with second-quarter plans. General Motors is scheduled to trim its output by 3.5 percent, and Chrysler by 13.7 percent (related story on Page 1).

At the retail level, meanwhile, dealers are viewing rising rates as another ominous sign in a year that is already shaping up as a challenge. At the very least, higher costs of borrowing are expected to put a chill into consumer confidence.

"I know there are some people who are quite alarmed," said Donald Hilty, Chrysler Corp. economist. "And I don't think there are any who say, 'Don't worry.' "

The consensus among analysts and economists surveyed by Automotive News before the start of the year was that interest rates would rise slightly during the first half of the year. It was believed that that would be enough to slow down the economy and cut the threat of inflation. The Fed would then ease up on the money supply and interest rates would fall again.

But when consumer price increases were tallied at a higher-than-expected annual rate of 7.2 percent in January, the Fed responded by raising the rate it charges to banks. Banks then hiked the prime.

Rates have "had to go a little higher than we thought," said George Eads, GM economist.

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